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CENTRAL INTELLIGENCE AGENCY

15 January 1954

MEMORANDUM FOR: Mr. Allan Evans (OIR)
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Colonel Charles F. Gillis, USAF (AFOIN-2B2)
Captain Ray Malpass, USN (JIC)

SUBJECT : NIE-94: Probable Developments in East Germany
through 1955

1. The attached draft estimate is forwarded for review.
2. It is requested that your representative meet with us for a clean-up session at 2:00 Friday, 15 January, in Room 146 South Building.

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C E N T R A L I N T E L L I G E N C E A G E N C Y

15 January 1954

**SUBJECT: NIE-94: PROBABLE DEVELOPMENTS IN EAST GERMANY
THROUGH 1955**

THE PROBLEM

**To estimate the current situation and probable developments
in East Germany through 1955.**

CONCLUSIONS

**1. We believe that in the present context of the East-West
struggle the USSR regards its control over East Germany as essential
both to the pursuit of its aims in Germany and to the security of
the Bloc. For the period of this estimate, it is highly unlikely
that the Kremlin will undertake policies or accept proposals which
it believes might endanger that control.***

***JIG takes a tentative reservation to this paragraph.**

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2. We believe that the USSR can with its present controls count on the continued subservience of a native regime in Eastern Germany. Although the vast majority of the population is disaffected, outbreaks of popular resistance of sufficient magnitude to endanger the regime are unlikely so long as Soviet forces are present in sufficient strength to lend support to the local security forces.

3. So long as the USSR still hopes to prevent the rearmament of West Germany in alliance with the West, internal policy in East Germany will be influenced by considerations related to the contest for Germany as a whole. The new emphasis on improved living standards rather than on the rapid Sovietization of the economy is likely to continue for the present. If West German rearmament begins, there may be an attempt to accelerate the present build-up of East German forces, although this might be limited by economic considerations and by concern for the reliability of these forces. The USSR might also take steps toward a provisional peace settlement with the GDR and association of the latter with the mutual assistance treaties of the Bloc states.

4. The East German economy has had a steady postwar recovery and by 1952 its gross national product is estimated to have represented about 8 percent of the Bloc total, a larger contribution to total Bloc output than that of any other Satellite. The agreement of August 1953

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for termination of reparations and the return of Soviet-owned enterprises to East German control probably represents a decision to reduce the immediate diversion of East German resources to Soviet use in the interest of the longer-term build-up of the economy. However, the USSR will retain direct control of uranium mining operations; these now provide approximately 50 percent of Bloc production of uranium ore and probably are an important factor in the USSR's determination to retain control of East Germany.

5. Soviet ground forces in East Germany number 415,000 men. Since June 1953 the USSR has withdrawn six regiments of IL-28 jet light bombers and one IL-28 reconnaissance regiment, which constituted an important striking force. Stockpiles of combat supplies have been increasing steadily, and it is estimated that these are now sufficient to support present forces in combat for four months. Airfield development is continuing and the system is now considered capable of continuous support of combat air operations. East German forces have a present estimated strength of 140,000, primarily in the ground forces. The East German forces, because of their political unreliability and limited training could play at best a limited combat role and would probably be assigned only to support and/or security duties.

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DISCUSSION

I. EAST GERMANY IN SOVIET POLICY

6. Since 1945 East Germany has been an important element in the total Soviet power position relative to that of the West. The occupation of East Germany has enabled the USSR to retain an advanced military position in the heart of Europe. East Germany has provided the Bloc economy with substantial economic assets, particularly in key industrial goods. It has given Communist power a political bridgehead from which to pursue its aim of subjugating all Germany, or failing that, of preventing the great resources of the German nation from being added to the power of the Western alliance.

7. We believe that the USSR regards the retention of these advantages as essential to the security of the Bloc in the present context of East-West* struggle. The USSR would almost certainly not consider surrendering its control over East Germany unless US military forces were withdrawn from Western Europe, and even then, only if Moscow believed that the German Communists had a good chance of gaining

* The Director of Intelligence, USAF believes that the designation of current international struggle as an "East-West struggle" is misleading and would prefer "Soviet Bloc-non-Communist struggle" or a phrase similar thereto.

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control of a reunified Germany.^{1/} We do believe that the Kremlin now expects that either of these conditions has any prospect of early realization. For the period of this estimate, therefore, it is highly unlikely that the Kremlin will undertake policies or accept proposals which would endanger its control of East Germany.^{2/}

II. POLITICAL DEVELOPMENTS

Current Situation

8. Since the establishment of the German Democratic Republic^{3/} (GDR) in 1949, the USSR has reduced its overt control mechanisms in East Germany and enhanced the apparent independence of the local regime. These measures, including the appointment of a civilian High Commissioner in May 1953, have been intended to parallel developments

1/ State, G-2, ONI, DI/USAF believe that the underlined part of this sentence should read:

"a German Communist regime loyal to the Kremlin was virtually assured of gaining control of all Germany."

2/ JIC takes a tentative reservation to this paragraph.

3/ ONI objects to the use of this term to describe the East German regime.

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in West Germany and to give the GDR the appearance of equality with the Federal Republic as a spokesman for German opinion. The East German regime remains nevertheless under effective Soviet control with respect to all its major political and economic actions.

9. The Socialist Unity Party (SED) possesses a monopoly of key government posts and is the principal instrument of Soviet control. Although its mass membership includes many opportunists and unreliable elements, its top leadership is composed of Communist professionals long in Soviet service. We believe that the USSR can with its present controls count on the continued subservience of a native regime in its zone of Germany.

10. The other East German political parties are puppet organizations which are maintained for show-window purposes and as a means of indirect control over non-Communist segments of the population. Their memberships are small and their funds are supplied in part by the SED. They have no capability for independent political action.

11. The popular support which the East German regime enjoys is probably limited to its immediate beneficiaries in the SED and

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a portion of the youth. Anti-Russian sentiment, desire for a reunification of Germany, continuing contacts with the West, and the low-scale of living combine to keep the vast majority of the population disaffected. Despite the regime's efforts to improve economic conditions, it is unlikely that any large part of the East German population can be won to support of the Communist cause.

12. On the other hand, it is almost certain that a widely organized resistance capable of open opposition to the regime does not exist. The open resistance which broke out on June 16-17, 1953, was largely spontaneous. Active participants in the demonstrations have since been subjected to a brutal suppression by the police and the courts. The State Security police (SSD), which is under close Soviet supervision, is probably capable of detecting and breaking up any subversive organization extensive enough to constitute a danger to the regime. The knowledge that Soviet troops can and would be used to enforce the authority of the regime if necessary constitutes an important deterrent to new outbreaks of mass resistance. However, if Soviet forces were withdrawn, we do not believe that the security organs of the East German regime could be relied upon to control outbreaks of mass resistance.

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SECRET**Probable Developments**

13. So long as the USSR still hopes to prevent the rearmament of West Germany in alliance with the West, internal policy in East Germany will be influenced by considerations related to the contest for Germany as a whole. The new emphasis on improved living standards rather than on the rapid Sovietization of the economy is likely to continue for the present. The percentage of GNP devoted to all forms of investment will probably be substantially lower than in the other Satellites, private enterprise in retail trade and consumer goods manufacture will be encouraged, and no substantial steps toward agricultural collectivization will be attempted. The present truce in the campaign against the churches will probably be observed, although some pressure on the churches will be maintained. The relaxation of controls over interzonal traffic will probably continue also, although police vigilance against the organization of resistance and against anti-Communist agents will be maintained.

14. We do not believe that any substantial withdrawal of Soviet troops from East Germany is likely during the period of this estimate. The Kremlin might believe that withdrawal of some of its forces would lend support to its present tactics toward the Western alliance, that is, to appear to reduce the threat of war while holding out the

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prospect of negotiated settlements as a alternative to armed stale-mate. Moreover, a small part of present Soviet forces in East Germany would suffice to support the internal security organs of the GDR. However, a major withdrawal of Soviet forces would endanger other important Soviet advantages and interests in East Germany.

15. If West German rearmament is launched, there is unlikely to be any reduction of Soviet forces in East Germany, and there may be an effort to accelerate the present build-up of East German forces. The latter might be limited, however, by economic considerations and concern for the reliability of such forces. If there appeared to be a threat of an increase in economic burdens or of an expansion in forced recruitment, the East German regime might seal off East Germany from West Germany and West Berlin by more vigorous measures than any undertaken previously. The USSR might also take steps in the direction of a provisional peace settlement and the association of the GDR with the mutual assistance treaties of the Bloc states.

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III. ECONOMIC DEVELOPMENTSCurrent Situation

16. East Germany comprises about one-third of postwar Germany in area, population, and industrial and agricultural resources.* Since 1945 the economy, except for agriculture, has been largely reorganized on the Soviet pattern. About 80 percent of its industry, including all heavy industry, has been nationalized and the entire economy is directed by state planning organs. The goals characteristic of the Soviet economy, including sacrifice of standards of living to efforts to force rapid industrial growth, have been adopted.

17. Postwar economic recovery has been steady, although the gains have lagged considerably behind those achieved in West Germany. Industrial production did not reach the 1936 level until 1951 and was estimated at 108 percent of that level in 1952. However, agricultural output still lagged about 15 percent behind prewar. Meanwhile population has increased by 10 percent. Low productivity and Soviet exactions in the form of reparations and occupation costs have kept the scale of living more than 20 percent below prewar levels.

* For purposes of this comparison, East Berlin is included in East Germany.

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18. The forced assimilation of East Germany into the economy of the Soviet Bloc has been marked by a shift in foreign trade from the West to the East. Although in 1947 East Germany, in accordance with the prewar pattern, still transacted almost 90 percent of its total trade (excluding reparations) with the West, at present more than three-fourths of its trade is with Soviet Bloc countries. Trade with West Germany (including West Berlin) has fallen to less than 5 percent of total foreign trade. At the same time, the composition of trade has been altered in an effort to obtain a maximum contribution to East German and Bloc industrial development.

19. In July 1952 under the slogan of "building socialism" the East German regime began to accelerate the Sovietization of the economy. From that date until May 1953, pressure on the remaining private sectors of the economy was increased in an atmosphere of terror and class warfare. New taxes were exacted from private industry and ration cards were denied to certain categories of self-employed and privately-employed persons. Farm produce delivery quotas were increased and pressure was applied to farmers to accept the newly inaugurated program looking toward the collectivization of agriculture. Higher work norms were imposed on labor. These forcing measures resulted in a rapid increase in the flow of refugees to the West (340,000 from July 1952 through June 1953) and finally in the riots and demonstrations of June 1953.

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20. Even before the riots, the regime had recognized that the increased pressure was bringing new strains rather than accelerating growth, and had taken steps to moderate its course. On 9 June it inaugurated a "new course" which revoked most of the harsh measures of the preceding year and promised a reduction in the rate of investment in heavy industry as well as an increase in the production of consumer goods. Private trade and industry were encouraged and the pressure on private farmers was also eased. The drive to form new farm cooperatives was temporarily abandoned. Some improvement in the standard of living of the population has in fact followed in the form of wage increases, price reductions, and increased availability of food and consumer goods. However, there have recently been indications that some restrictive measures are being reimposed. Plans for 1954 call for a reduction of investment in heavy industry and for increasing investment in light industry and energy production.

East German Contributions to the Soviet Bloc

21. Soviet takings from the East German economy have probably averaged close to two billion dollars annually in occupation costs, reparations, and the proceeds of German enterprises taken over by the USSR. However, the Soviet-East German agreement of August 1953 provides for termination of reparations, reduction of occupation costs, and the return to East German ownership of enterprises seized by the USSR at

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the end of the war. If this agreement is implemented, the Soviet exactions will be reduced from about 14 percent to about 8 percent of the gross national product. This easing of the Soviet burden will greatly assist the East German regime in fulfilling industrial expansion programs and in improving the scale of living. By sacrificing some of its direct takings the USSR may over the longer term increase the value of East Germany as a productive factor in the Bloc.

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22. Even at present, the East German economy surpasses that of the other European Satellites in total output and in ratio of industrial production to total GNP. In 1952 the East German GNP is estimated to have represented about 8 percent of the Bloc total, and to have equalled about 14 percent of the Soviet GNP.

23. The value of the East German economy to the Bloc is even more significant in qualitative than in quantitative terms, for East German exports to Bloc states are concentrated in industrial goods which support Bloc programs of industrial expansion. Thus in 1952 the machinery construction industry contributed about one-third of these exports, chemicals constituted about one-fifth, and electrical engineering products and precision equipment about one-fifth. Moreover, in certain of the key items in these fields East Germany's production constitutes a substantial percentage of total Bloc production, for example, 16 percent of machine tools, 16-18 percent of turbines and transformers, and 22 percent of synthetic rubber.

24. East Germany is estimated to provide approximately 50 percent of Bloc production of uranium ore. With the addition of some Soviet capital investment, facilities for processing ore are being expanded and will probably continue to expand at least through 1954. This will maintain current production and may

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increase it. In August 1953, when agreement was reached on the return to GDR ownership of enterprises seized by the USSR, Wismut A. G., the uranium mining operation, became a joint Soviet-East German company. This arrangement will not affect complete Soviet control. While the USSR's atomic energy program could probably be supported from sources elsewhere in the Bloc, the difficulty and expense of uranium production would be greatly increased. This in itself probably constitutes an important factor in the USSR's determination to retain control of East Germany.

Probable Developments

25. It is probable that the Soviet termination of reparations and the return of Soviet-expropriated enterprises represent a decision to reduce the immediate diversion of East German resources to Soviet use in the interest of the longer-term build-up of the East German economy. Since such a policy resembles in many respects that being followed in other Bloc states, and is compatible with the apparent Soviet intention to retain East Germany as a member of the Bloc, we believe that the "concessions" made in the Soviet-East German agreement of August 1953 will be largely fulfilled. Although occupation troops and the cost to the East German state of the uranium mining enterprise, Wismut A. G., will still constitute a heavy burden, it is estimated that the economy can maintain an annual rate of growth of about 4 percent during the period of this estimate.

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26. The promises of continued improvements in the scale of living in connection with the "new course" could be made good in considerable degree from Bloc resources alone, although it is unlikely that standards of living would approach those in West Germany. Thus far improvements have been due to emergency shipments from the USSR and releases from reserve stocks. Further improvements or even continuation of the present gains will depend largely on the extent to which the East German regime expands consumer goods industries and increases agricultural production, on a further expansion of its trade within and/or outside the Bloc, and on better terms of trade with the Bloc.

27. Agriculture will probably continue to lag, however. Not only is production still well below prewar levels, but the population is about 10 percent larger than prewar. Moreover, despite some concessions to farmers under the "new course," the regime is unlikely, because of the doctrinal commitment of Communism to collectivization, to be able to adopt measures which would induce the farming population to increase production greatly. With about 80 percent of arable lands still in individual farms, any attempt to push the establishment of "cooperatives" would seriously reduce farm production.

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IV. SCIENTIFIC DEVELOPMENTS

28. East German scientific capabilities are based on a vigorous German scientific tradition and on extensive research facilities in universities, technical institutes, and industry. Substantial financial support has been provided by the state and centralized direction has been given to scientific effort by the East German Academy of Science and the State Planning Commission. Nevertheless, there has continued to be a severe shortage of scientists and technicians, in part as a consequence of defections to the West, and this shortage is likely to continue over the next several years.

29. In 1952, the USSR began to abandon direct control over East German scientific institutions. Nevertheless, East German scientific effort continues to receive Soviet supervision in the interest of a maximum contribution to Bloc scientific resources. For example, it is estimated that at least 50 percent of all East German electronic and telecommunication research and development is performed directly for the USSR. Significant contributions are also made in optics, photography, radiology, and bio-chemistry. While much of the effort in these fields is potentially important for military purposes, little work on direct military applications is believed to be in progress at present. No major developments in military weapons or equipment are expected within the period of this estimate.

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30. Although East Germany makes a substantial contribution in uranium ore shipments, it supplies little scientific support to the Soviet atomic energy program. Most of the scientists and engineers taken to the USSR after World War II are still there, but are probably employed on the periphery of the atomic energy program. Procurement of instruments and equipment in East Germany continues, but apparently on a lesser scale than in 1949-1951.

V. MILITARY DEVELOPMENTS

East German Forces

31. The creation of national armed forces was a leading feature of the program of "building socialism" announced by the East German regime in July 1952. Within the following six months the over-all strength of the militarized forces was approximately doubled, with most of the increase taking place in the ground forces. During the period, January to June 1953, recruiting activities were curtailed as the existing forces underwent consolidation and reorganization. In the six-week period following the riots in mid-June about 15-20,000 men were released. During the last five months (1 August 1953 to 1 January 1954) recruiting for all the militarized forces has proceeded at the rate of about 4,000 men per month. As a result, the present estimated strength of 140,000 (ground forces, 125,000

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including 25,000 border police; naval forces, 8,700; air forces, 6,500) is actually greater than that of 1 June 1953.

32. Any large-scale expansion of the East German forces would require that conscription be introduced and would therefore aggravate the problem of political reliability. We believe, however, that a gradual increase in strength and combat effectiveness will occur. These forces could play at best a limited combat role and would probably be assigned only to support and/or security duties.

33. Ground Forces - The Garrisoned Peoples Police (KUP) is organized into two corps and a Berlin Area Command. The latter consists of one mechanized division and headquarters units. Each corps is made up of one mechanized division, two rifle divisions, and supporting elements. Soviet advisors are present at all levels from regiment upwards. Division-level training exercises scheduled for the summer of 1953 were disrupted by the June riots and no exercises higher than battalion level are believed to have been conducted. The border police are lightly armed and trained in small unit tactics.

34. Naval Forces - The naval forces operate 10 patrol vessels, 8 minesweepers, and thirty-odd service craft. Plans have been made to increase the vessel strength and to organize a naval air arm by 1955. Implementation will depend on the resources the regime can

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make available under its revised economic programs and on political considerations. No large increase in strength is expected. The naval forces may be given additional responsibilities in coastal defense over the next two years.

35. Air Forces - The East German air forces, recently redesignated the "Association of Aero Clubs" (VdA), is organized into one fighter division composed of three subordinate regiments. The authorized aircraft strength of this organization is 150, with a current actual strength estimated to be only 20 training type aircraft (YAK-18). Operational training in MIG-15's was in progress prior to the June 17 riots, but since that date these aircraft have been withdrawn. Currently, the VdA has no combat capability and further build-up, during the period of this estimate is likely to depend primarily upon political considerations.

Soviet Forces in East Germany

36. Soviet ground forces in East Germany number 415,000 men (including 15,000 security troops) and are organized in 22 line divisions (4 mechanized and 2 rifle armies) supported by 2 artillery and 9 antiaircraft divisions. These forces maintain a high degree of combat readiness. Stockpiles of combat supplies have been increasing steadily, and it is estimated that these are now sufficient to support present forces in combat for four months.

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37. Soviet naval forces stationed in East Germany are small, as most Soviet naval vessels in the area operate out of Swinemunde. However, there is a group of 8 minesweepers normally based at Sassnitz, and a minecraft detachment, comprising 4 to 8 coastal minesweepers and 12 minesweeping boats based at Wainemunde. Naval Air forces in East Germany total one fighter regiment based at Peenemunde. This is reportedly in the process of being converted to jet aircraft.

38. The estimated authorized aircraft strength of Soviet Air Units now stationed in East Germany is 1140 aircraft, including 740 jet fighters, 250 piston type attack, 90 transports and 60 piston type reconnaissance aircraft. The withdrawal of six IL-28 equipped bomber regiments and one IL-28 reconnaissance regiment from their East German bases, during the summer of 1953, leaves the 24th Tactical Air Army without jet bomber types, which represented a significant striking force. It is believed that the units withdrawn are now based in Western USSR, but it is not known whether they have been permanently resubordinated to other air armies in the Soviet border area.

39. The USSR is continuing development of airfields in East Germany and the system is now considered capable of continuous support of combat air operations. Twelve airfields are capable of sustained support of heavy and medium bombers, jet fighters and jet light bombers.

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Fourteen others could provide limited support for the bomber types plus sustained support for jet fighters. In addition, there are 29 secondary fields in operational status and suitable for piston fighters and attack aircraft, but these could be easily converted for more adequate usage.

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